

TEXAS WATCH

September 8, 2020

Via electronic mail: Sergio.Cavazos_HC@house.texas.gov

The Honorable Eddie Lucio III, Chair
Texas House Insurance Committee
Texas State Capitol
1101 Congress Avenue
Austin, TX 78701

Dear Chairman Lucio and Members of the Committee:

We appreciate this opportunity to comment on interim charges and other areas of study before the committee. The COVID-19 pandemic has upended so much of Texans' lives, and our relationship with our vehicles is no exception.

With many sheltering in place and working from home, vehicle miles traveled have dropped. This results in a reduction in risk for auto insurance carriers, which should result in a reduction in prices for policyholders. After all, "risk-based pricing," which has been the mantra for the insurance industry for years, is a two-way street. What goes up should also come down. Less risk must mean lower prices.

The committee astutely asks: "Has there been a decrease in auto insurance claims during the COVID-19 pandemic? How many auto insurers have issued credits or rebates to their policyholders due to the COVID-19 pandemic? If so, how was the amount of this credit or rebate determined? What steps are state agencies taking in order to ensure that auto rates are not excessive as a result of a presumptive decrease in driving and claims associated with the COVID-19 pandemic?"

Texas Appleseed has published an excellent report on this issue entitled "COVID-19 Pandemic Should Not be Profit Boon for Texas Auto Insurers."¹ We endorse the study in its entirety and commend it to you.

Using available data, they determined the current COVID-19 windfall to the auto insurance industry ranges from \$606 to \$869 million. This is an astonishing figure, representing an enormous extraction of wealth from Texas families that need these funds right now to put food on their tables. The members have undoubtedly seen the long lines at food banks across our state.

Any windfall, in any amount, would constitute ill-gotten gains. While we want insurance to be profitable, so it is widely available to consumers, we do not want it to be excessively so. The Texas Department of Insurance is mandated with ensuring rates are not excessive, and we reiterate our concerns here that they approach this work with a sense of urgency and resolve. If TDI is unable to conduct its work expeditiously, identifying overcharges and ordering refunds, then it suggests a systemic problem. Either the agency is not using the authority granted to it, or the authority itself is insufficient. We encourage

¹ See https://www.texasappleseed.org/sites/default/files/Auto%20Insurance%20Report%20June%202020_0.pdf (last accessed 9/8/20).

the committee to study closely whether the current “file and use” regulatory system is helping insurers to the detriment of consumers. COVID-19 presents quite a case study.

Texas Appleseed’s study also found:

1. Auto accidents continue to decline compared to the same period in 2019. Average weekly declines in accidents ranged from 26% to 59%. The average weekly decline over the study period was 43%.
2. Nearly one in three of the top 40 auto insurers in Texas has not offered any credit or refund to customers, despite the drop in travel and accidents.
3. Companies that often serve the lowest-income Texans are the least likely to offer any rebates.
4. Among those insurers offering rebates, amounts vary substantially—rebates are not standardized across the insurance industry... Some companies are offering discounts only upon renewal, which is concerning, as it undermines fair market competition— requiring people to renew with the same company to receive premium relief applicable to past coverage.²

Requiring consumers to renew with a company that has already overcharged them in order to receive the rebate they were originally owed violates fair dealing and should be against the law. Again, TDI should be able to enforce such violations to ensure no carrier is gaining unfair advantage over their competitors in this way.

We, frankly, have been frustrated by the state’s lack of response to date. It appears TDI is following its regularly-scheduled data collection program, meaning it will be weeks until it knows what happened with claims in the second quarter of this year. A faster timetable and a willingness to begin rate hearings when overcharges are identified is required to protect Texans during these difficult times.

Please know that we appreciate the House Insurance Committee’s efforts to drill down on these issues and hope you find these resources helpful. We stand ready to assist you.

Sincerely,

/s/

Ware Wendell
Executive Director

² Id. at 2.